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BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.

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DOCKET SECTION

Agreements Adopted by the Traffic :  
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APPLICATION FOR APPROVAL OF AGREEMENTS  
BY THE  
INTERNATIONAL AIR TRANSPORT ASSOCIATION

SUPPLEMENTAL DOCUMENTATION

February 2, 1999

Communications with respect to  
this document should be sent to:

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## SUPPLEMENTAL DOCUMENTATION

1. SUMMARY for COMP Reso/P 0324
2. SUMMARY for Mail Vote 978

Attorney-in-fact

CERTIFICATE OF SERVICE

A copy of this application or a summary notice thereof has been served by first class or priority mail on the following persons:

Chief, Transportation, Energy  
& Agriculture Section  
Antitrust Division  
Department of Justice  
Washington D.C. 20530

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David M. O'Connor

February 2, 1999  
Date Served

## **COMP MEMO RESO/P 0324 RESOLUTIONS 017H/017HH**

### **CARRIER SELECTION**

#### **Background**

Carrier Selection is a system used by Computer Reservations Systems (CRSs) to select the carrier whose fares will be used to price any given fare component. It was introduced when the US authorities determined that the legal tariffs filed with them for approval had to be in the carrier's name and not filed as 'IATA' fares. Consequently all fares to/from the USA had a 'carrier' designator attached to them.

Subsequently, however, carriers started to introduce carrier fares on many other routes sometimes at identical levels and conditions as IATA levels and conditions and sometimes with different levels and/or conditions.

#### **Problem**

As a result of the US position it was necessary to determine how to price an itinerary when different carriers were involved and both had fares filed for the fare component. For example a routing NYC -TW- LON -BA- ATH. Both TW and BA have fares filed NYC-ATH and the question was which carrier should be selected to determine the fare to be charged. It was agreed that the carrier to be used for each fare component would be the 'overwater' carrier to/from USA while in TC1 it would be the fare of the carrier operating the sector to/from USA.

This principle was then extended to apply for all countries in TC1 for TC12/123 Transatlantic and TC31 Transpacific fare components. If there was no through fare for the carrier selected, the fare would be broken at a ticketed point for which the carrier selected did have a filed through fare. This system is still in place today.

With the advent and growth of carrier fares in other parts of the world CRSs developed individual approaches to Carrier Selection without consultation. The result is that today there is a mixture of criteria depending on the CRS involved. This results in different prices being quoted for the same routing and the same carriers within a fare component.

For example on a fare component LON-FRA-BOM-SYD there are 3 carriers. LON-FRA – BA; FRA-BOM – LH; BOM-SYD – AI. Each of these carriers has filed a range of fares LON-SYD at different levels and/or conditions. The CRS will select the carrier fares it will use based on its own criteria for carrier selection. As a result:  
CRS1 will select the BA fares (the 1<sup>st</sup> international carrier)  
CRS2 will select the LH fares (the carrier crossing between TC2 and TC3)  
CRS3 will select the AI fares (the most significant carrier by TPM)

If it is assumed that the carrier fares are BA-GBP 2500; LH-GBP 2300; AI-GBP 2400 The result is that the CRS chosen will determine the fare to be applied and this will differ by CRS.

Two further problems were encountered. The first was the requirement by CRSs that only a single carrier be selected. For a CRS to select every fare of every carrier in the fare component is an overload on the systems particularly when comparisons were necessary not only for the initial establishment of a fare component level but also for applying various fare construction checks.

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The second was a complaint to the European Commission that one CRS was ignoring the lower fares of some carriers due to the criteria applied.

While the approach of a single carrier criteria was accepted for the world it was not possible to achieve this for the Within Europe sub-area. There was a carrier requirement that optionality be introduced to demonstrate that a lower fare would be selected over a higher one through the comparison of two carrier's fares. As a result the Carrier Selection for Within Europe is different than for the rest of the world.

### **Summary of the Carrier Selection criteria**

In summary the Carrier Selection Criteria is that the carrier carrying from one IATA area to another or from one IATA sub-area to another will be selected and that carrier's fares used to price the fare component.

In the case of transportation within an IATA sub-area the carrier on the first international sector will be selected and that carrier's fares used. In these cases the selection is undertaken in the direction of the fares being used. For example on a RT it will be the carrier on the last international sector of the return fare component who will be selected. For example if the outbound fare component is JNB-LUN-NBO-ADD and the return fare component is ADD-NBO-JNB the carriers selected will be:

- the first fare component - the carrier JNB-LUN,
- the second fare component - the carrier NBO-JNB (this because the fare is assessed in the reverse direction of travel).

For Within Europe however the carrier selection will be based on the carrier on the first international sector and the most significant carrier by TPM within the fare component. The lowest applicable fare of these two carriers will be used. Again for the return fare component it will be the carrier on the last international sector and the most significant carrier by TPM because of the reverse direction of the fare.

## **COMP MV/P 978 RESO 0171**

### **Fare Construction Rules**

Consequent on establishing the initial Carrier Selection (and the subsequent base fare for the fare component) it was necessary to establish how a carrier would be selected to establish the fares to be used for applying various fare construction checks.

Using the above example of the routing LON-FRA-BOM-SYD and taking the HIP check as an example, which carrier's fares should be selected for this check?

On this routing the HIP check must be undertaken for LON-FRA; LON-BOM; FRA-BOM; FRA-SYD; BOM-SYD.

Given the present diverse application of carrier selection by the **CRSs** the options for the HIP check are varied depending on the sectors being checked. For example in checking the sector LON-BOM the fares to be used could be those of BA as the first international carrier or LH as the carrier from TC2 to TC3. When checking the FRA-SYD level the fares to be used could be those of LH as the carrier from TC2 to TC3 or AI as the most significant carrier by TPM.

The approach agreed by the IATA carriers is to select the carrier on the same basis as if the sectors concerned were a fare component in their own right. In other words use the same Carrier Selection outlined in the summary above. This means assuming the sector(s) LON-FRA; LON-BOM; FRA-BOM; FRA-SYD; BOM-SYD are fare components and select the carrier accordingly. The fares of the selected carrier are then used for the HIP check.

Based on the above example the carriers selected would be:

- LON to FRA BA as the operating carrier
- LON to BOM LH as the carrier from TC2 to TC3
- FRA to BOM LH as the carrier from TC2 to TC3
- FRA to SYD LH as the carrier from TC2 to TC3
- BOM to SYD AI as the operating carrier

This same approach has been taken to select the carrier for all fare construction checks.